

# STATE OF LOUISIANA LEGISLATIVE AUDITOR

Court of Appeal, First Circuit  
State of Louisiana  
Baton Rouge, Louisiana

December 19, 1997



***Financial and Compliance Audit Division***

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***Daniel G. Kyle, Ph.D., CPA, CFE  
Legislative Auditor***

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**DIRECTOR OF FINANCIAL AND COMPLIANCE AUDIT**

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**COURT OF APPEAL, FIRST CIRCUIT  
STATE OF LOUISIANA  
Baton Rouge, Louisiana**

**Special Purpose Financial Statements  
and Independent Auditor's Reports  
As of and for the Year Ended June 30, 1997**

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor.

December 19, 1997

**COURT OF APPEAL, FIRST CIRCUIT  
STATE OF LOUISIANA**

**Special Purpose Financial Statements and  
Independent Auditor's Reports  
As of and for the Year Ended June 30, 1997**

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OFFICE OF  
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STATE OF LOUISIANA  
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December 10, 1997

Independent Auditor's Report  
on the Financial Statements

**COURT OF APPEAL, FIRST CIRCUIT**  
**STATE OF LOUISIANA**  
Baton Rouge, Louisiana

We have audited the accompanying special purpose (legal basis) financial statements of the Court of Appeal, First Circuit, a court within Louisiana state government, as of and for the year ended June 30, 1997, as listed in the table of contents. These special purpose financial statements are the responsibility of management of the Court of Appeal, First Circuit. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1-B to the financial statements, the accompanying special purpose financial statements present only the funds of the Court of Appeal, First Circuit. As such, they present the appropriated and non-appropriated activity of the court that are part of the accounts and fund structure of the State of Louisiana. The General Appropriation Fund reflects appropriated activity of the court that is part of the General Fund of the State of Louisiana. The non-appropriated fund is an individual fund of the State of Louisiana not subject to budgetary control. Furthermore, the special purpose financial statements have been prepared on a legal basis of accounting, the purpose of which is to reflect compliance with the annual appropriation act for the appropriated fund and the financial position of the non-appropriated fund. These procedures differ from generally accepted accounting principles as described in the notes to the financial statements. Accordingly, the accompanying special purpose financial statements are not intended to and do not present financial position and results of operations in conformity with generally accepted accounting principles.

LEGISLATIVE AUDITOR

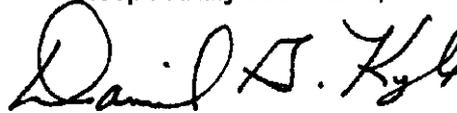
COURT OF APPEAL, FIRST CIRCUIT  
STATE OF LOUISIANA  
Audit Report, June 30, 1997

In our opinion, the special purpose financial statements referred to previously present fairly, in all material respects, the balances within the appropriated and non-appropriated funds of the Court of Appeal, First Circuit at June 30, 1997, and the transactions of such funds for the year then ended, on the basis of accounting described in note 1-D.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 1997, on our tests of the Court of Appeal, First Circuit's compliance with certain laws and regulations and our consideration of its internal control over financial reporting.

In accordance with Louisiana Revised Statute 24:516, our report is intended for the information and use of the court and its management and should be used solely as intended by the foregoing statute. By provisions of state law, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,

A handwritten signature in black ink that reads "Daniel G. Kyle". The signature is written in a cursive style with a large initial "D".

Daniel G. Kyle, CPA, CFE  
Legislative Auditor

SRT:MWB:sds

[CRT-1]

**COURT OF APPEAL, FIRST CIRCUIT  
STATE OF LOUISIANA  
ALL APPROPRIATED AND NON-APPROPRIATED FUNDS**

**Balance Sheet (Legal Basis), June 30, 1997**

	APPROPRIATED FUND - GENERAL APPROPRIATION	NON- APPROPRIATED FUND - FEE ACCOUNT	TOTAL (MEMORANDUM ONLY)
<b>ASSETS</b>			
Cash and cash equivalents (note 1-E)	\$157,154	\$417,033	\$574,187
Accounts receivable	74	6,575	6,649
Prepaid items	9,010	2,973	11,983
	<u>\$166,238</u>	<u>\$426,581</u>	<u>\$592,819</u>
<b>TOTAL ASSETS</b>			
<b>LIABILITIES AND FUND EQUITY</b>			
Liabilities:			
Accounts payable	\$93,120	\$2,414	\$95,534
Payroll deductions payable	26,194		26,194
Total Liabilities	119,314	2,414	121,728
Fund Equity - fund balance - reserved for continuing operations (note 6)	46,924	424,167	471,091
	<u>\$166,238</u>	<u>\$426,581</u>	<u>\$592,819</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>			

The accompanying notes are an integral part of this statement.

**COURT OF APPEAL, FIRST CIRCUIT  
STATE OF LOUISIANA  
ALL APPROPRIATED AND NON-APPROPRIATED FUNDS**

**Statement of Revenues, Expenditures, and  
Changes in Fund Balances (Legal Basis)  
For the Year Ended June 30, 1997**

	APPROPRIATED FUND - GENERAL APPROPRIATION	NON- APPROPRIATED FUND - FEE ACCOUNT	TOTAL (MEMORANDUM ONLY)
<b>REVENUES</b>			
Court fees		\$180,615	\$180,615
Judges' Supplemental Compensation Fund		18,247	18,247
Copy fees		11,061	11,061
Use of money and property - interest earnings	\$4,061	9,109	13,170
Total revenues	<u>4,061</u>	<u>219,032</u>	<u>223,093</u>
<b>EXPENDITURES</b>			
Appropriated expenditures:			
Personal services	3,702,683		3,702,683
Travel	186,271		186,271
Operating services	445,309		445,309
Supplies	106,956		106,956
Other charges	8,966		8,966
Capital outlay	347,781		347,781
Non-appropriated expenditures:			
Travel		314	314
Operating services		7,697	7,697
Supplies		7,641	7,641
Other charges		413	413
Judges' Supplemental Compensation Fund		18,247	18,247
Total expenditures	<u>4,797,966</u>	<u>34,312</u>	<u>4,832,278</u>
<b>EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES</b>	(4,793,905)	184,720	(4,609,185)
<b>OTHER FINANCING SOURCES</b>			
Transfer from Supreme Court	<u>4,659,497</u>	NONE	<u>4,659,497</u>
<b>EXCESS (Deficiency) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES</b>	(134,408)	184,720	50,312
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<u>181,332</u>	<u>239,447</u>	<u>420,779</u>
<b>FUND BALANCES AT END OF YEAR</b>	<u>\$46,924</u>	<u>\$424,167</u>	<u>\$471,091</u>

The accompanying notes are an integral part of this statement.

**COURT OF APPEAL, FIRST CIRCUIT  
STATE OF LOUISIANA**

**Notes to the Financial Statements  
As of and for the Year Ended June 30, 1997**

**INTRODUCTION**

The Court of Appeal, First Circuit is a part of the State of Louisiana reporting entity within the judicial branch of government. The court is provided for in Article V, Sections 8 through 13 of the Louisiana Constitution of 1974 and Sections 311 through 392 of Title 13 of the Louisiana Revised Statutes of 1950. The court's operations are funded through an annual lapsing appropriation made by the Louisiana Legislature and from self-generated revenues authorized by Louisiana Revised Statute (R.S.) 13:352. In addition to the fees mandated by R.S. 13:352 relative to appeals, applications for writs, motions filed on unlogged appeals and answers to appeals, the court, in compliance with Act 63 of the 1985 Session of the Louisiana Legislature and in conformity with the Judges' Supplemental Compensation Fund, charges an additional fee of \$15. The total amount collected in connection with the Judges' Supplemental Compensation Fund is remitted to the Judicial Administrator's Office of the Supreme Court of Louisiana.

The Court of Appeal, First Circuit has appellate jurisdiction as authorized under Article V, Section 5 of the Louisiana Constitution, which encompasses the parishes of Ascension, Assumption, East Baton Rouge, East Feliciana, Iberville, Lafourche, Livingston, Pointe Coupee, St. Helena, St. Mary, St. Tammany, Tangipahoa, Terrebonne, Washington, West Baton Rouge, and West Feliciana. The court has supervisory jurisdiction, subject to the general supervisory jurisdiction of the Supreme Court of Louisiana, over all lower courts in all cases in which an appeal would extend to the court of appeal. The Court of Appeal, First Circuit is domiciled in Baton Rouge and has 13 judges and 79 additional employees.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. BASIS OF PRESENTATION**

The Governmental Accounting Standards Board (GASB) promulgates generally accepted accounting principles and reporting standards for state and local government. These principles are found in the *Codification of Governmental Accounting and Financial Reporting Standards*, published by the GASB. However, the accompanying financial statements have been prepared on a legal basis, which differs from generally accepted accounting principles as explained in the following notes.

**B. REPORTING ENTITY**

GASB Codification Section 2100 has defined the governmental reporting entity to be the State of Louisiana. The court is considered within the State of Louisiana reporting entity because the state exercises oversight responsibility and has accountability for fiscal matters as follows: (1) the state has control and exercises authority over budget

**COURT OF APPEAL, FIRST CIRCUIT  
STATE OF LOUISIANA  
Notes to the Financial Statements (Continued)**

matters; (2) state appropriations provide the largest percentage of total revenues; and (3) the court primarily serves state residents. The accompanying financial statements present information only as to the transactions of the court.

The accompanying financial statements represent activity of the court within the judicial branch of state government and, therefore, are a part of the fund and account group structure of the State of Louisiana and its general purpose financial statements. Annually, the State of Louisiana issues general purpose financial statements. The general purpose financial statements are audited by the Louisiana Legislative Auditor.

**C. FUND ACCOUNTING**

The Court of Appeal, First Circuit uses fund accounting, along appropriation lines, to reflect its compliance with provisions of the annual appropriation act and to reflect the financial position and results of operations of its non-appropriated fund. This differs from the fund accounting of generally accepted accounting principles where the intent is to measure the financial position and results of operations of the governmental reporting entity as a whole. Therefore, the funds within the accompanying financial statements have been divided between appropriated and non-appropriated funds and not by the conventional fund types of generally accepted accounting principles.

The funds do not include any noncurrent assets or liabilities. Noncurrent assets, general fixed assets, and long-term liabilities are reflected in the State of Louisiana's general purpose financial statements.

The funds presented in the special purpose financial statements are described as follows:

**General Appropriation Fund**

The General Appropriation Fund provides for the general administrative expenditures of the court.

**Non-Appropriated Fund - Fee Account**

The Fee Account is used to account for filing fees and other revenues received by the court, as provided by R.S. 13:352 and 13:10.3. Expenditures incurred in excess of the amount appropriated by the legislature (General Appropriation Fund) are funded from this account.

**COURT OF APPEAL, FIRST CIRCUIT  
STATE OF LOUISIANA  
Notes to the Financial Statements (Continued)**

**D. BASIS OF ACCOUNTING**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The funds in the accompanying financial statements measure the resources provided by the legislature to fund current-year expenditures and the use of those resources by the court. This differs from generally accepted accounting principles in which the measurement focus would be to measure the flow of current resources.

Basis of accounting refers to when revenues and expenditures are recognized and reported in the financial statements, regardless of the measurement focus applied. The accompanying financial statements reflect revenues and expenditures in accordance with applicable statutory provisions and regulations of the Judicial Budgetary Control Board. These legal requirements differ from generally accepted accounting principles as follows:

1. Revenues are recognized to the extent that they have been appropriated and not necessarily when measurable and available.
2. Expenditures are recognized to the extent that appropriation authority has been extended to the court and not necessarily when the fund liability has been incurred.

Under the foregoing legal provisions, the court uses the following practices in recognizing revenues and expenditures:

**Revenues**

Self-generated revenues are recognized when earned.

**Expenditures**

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Furthermore, any expenditure of a long-term nature for which funds have not been appropriated during the current year is not recognized in the accompanying financial statements.

**Other Financing Sources (Uses)**

The transfer from the Supreme Court represents the appropriation from the state General Fund. The transfer is recognized in the amount appropriated, to the extent withdrawn from the state treasury.

**COURT OF APPEAL, FIRST CIRCUIT  
STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

**E. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents (book balances) are composed of the following:

Cash on hand	\$2,212
Cash in demand accounts	22,054
Interest-bearing demand deposits	157,154
Money market accounts	<u>392,767</u>
<b>Total</b>	<b><u><u>\$574,187</u></u></b>

Cash and cash equivalents are stated at cost, which approximates market. Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These pledged securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. The court has deposit balances (collected bank balances) of \$647,846 at June 30, 1997, for which the court has control. These deposits are secured from risk by \$200,000 of federal deposit insurance (GASB Risk Category 1) and \$447,846 of pledged securities held in the name of the pledging fiscal agent bank in a holding bank (GASB Risk Category 3).

**F. GENERAL FIXED ASSETS**

At June 30, 1997, the court has stewardship responsibility for \$1,788,580 in governmental movable property, valued at historical cost at the time of acquisition. The court also maintains a legal library with an appraised value of \$157,435 at September 18, 1986, plus estimated net additions of \$56,982 from the 1986 appraisal date to June 30, 1997. The general fixed assets are not reflected within the accompanying special purpose financial statements. A summary of changes in general fixed assets is as follows:

	Balance <u>July 1, 1996</u>	<u>Adjustment</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 1997</u>
Movable property	\$1,489,419	\$254,915	\$227,349	\$183,103	\$1,788,580
Legal library	<u>210,213</u>	NONE	<u>4,204</u>	NONE	<u>214,417</u>
<b>Total</b>	<b><u><u>\$1,699,632</u></u></b>	<b><u><u>\$254,915</u></u></b>	<b><u><u>\$231,553</u></u></b>	<b><u><u>\$183,103</u></u></b>	<b><u><u>\$2,002,997</u></u></b>

The above adjustment was made to movable property to increase the reported amount to the actual inventory amount.

**COURT OF APPEAL, FIRST CIRCUIT  
STATE OF LOUISIANA  
Notes to the Financial Statements (Continued)**

**G. LONG-TERM OBLIGATIONS**

The court is by statute not allowed to incur bonded indebtedness and, therefore, no recognition within the accompanying financial statements is necessary. Furthermore, any long-term obligations of the court arising from lease commitments, judgments, compensated absences, or from any other source are not recognized in the accompanying special purpose financial statements.

**H. BUDGET PRACTICES**

The general appropriation made for the operations of the court is an annual lapsing appropriation. Amounts not expended or encumbered should be returned to the state General Fund on or before September 1, 1997.

The court has no encumbrances outstanding at June 30, 1997. The accompanying financial statements do not present a budget comparison because the appropriated fund is budgeted in lump sum and the non-appropriated fund is not subject to budgetary control. The budget authorized by Act 35 of 1996 for the appropriated fund was \$4,659,497. In accordance with provisions of the budget act, this amount was supplemented by interest earned of \$4,061 for a total budget of \$4,663,558, which was approved by the Judicial Budgetary Control Board.

**I. JUDGES' SALARIES**

The salaries of the judges are paid directly by the Supreme Court of Louisiana with warrants drawn on the state treasury and are not included in the expenditures of the accompanying financial statements.

**J. LEAVE BENEFITS**

The clerk of court, the director of central staff, and their respective staff members as well as selected employees of the judges earn annual and sick leave at various rates depending on their years of service. The amount of annual and sick leave that may be accumulated by each employee is unlimited. Upon termination, employees are compensated for unused annual leave at the employee's hourly rate of pay. Upon retirement, unused sick leave is used to compute retirement benefits for those employees who are members of the Louisiana State Employees Retirement System.

Court employees also earn compensatory time at a rate of one and one-half hour per hour worked over 40 hours per week. Employees may not accrue more than 240 hours of compensatory time. Upon termination, employees are compensated for up to 240 hours of unused compensatory leave at the employee's hourly rate of pay.

**COURT OF APPEAL, FIRST CIRCUIT**  
**STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

The cost of current leave privileges is recognized as a current-year expenditure in the General Fund - General Appropriation Fund when leave is actually taken. The liability for unused annual and compensatory leave payable at June 30, 1997, computed in accordance with the *Codification of Governmental Accounting and Financial Reporting Standards* Section C60.105, is estimated at \$293,117. The leave payable is not recorded in the accompanying financial statements.

Other law clerks and secretaries employed by particular judges are employees of those judges. As such, they are subject to the guidelines set by the judge. There is no set policy for these employees. With respect to these employees of the judges, upon termination of employment with the court, all unused annual and sick leave is forfeited; therefore, no liability for these employees exists for unused leave payable at June 30, 1997.

**K. TOTAL COLUMNS ON STATEMENTS**

The total columns on the statements are captioned Memorandum Only (overview) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations. Neither is such data comparable to a consolidation.

**2. PENSION PLANS**

Substantially all employees of the court are members of two statewide, public employee retirement systems. Court employees are generally members of the Louisiana Clerks Retirement and Relief Fund (LCRRF), and classified/unclassified state employees are members of the Louisiana State Employees Retirement System (LASERS). Both plans are cost-sharing, multiple-employer defined benefit pension plans administered by separate boards of trustees. LCRRF and LASERS provide retirement, disability, and survivors' benefits to plan members and beneficiaries. Benefits granted by LASERS are guaranteed by the State of Louisiana by provisions of the Louisiana Constitution of 1974. Generally, all full-time employees are eligible to participate in the systems, with employee benefits vesting after 10 years of service. Article 10, Section 29 of the Louisiana Constitution of 1974 assigns the authority to establish and amend benefit provisions to the state legislature. The systems issue annual publicly available financial reports that include financial statements and required supplementary information for the systems. The reports may be obtained by writing to the Louisiana Clerks Retirement and Relief Fund, 11745 Bricksome Avenue, Suite B1, Baton Rouge, Louisiana 70816, or by calling (504) 293-1162 and/or the Louisiana State Employees Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804, or by calling (504) 922-0600.

**COURT OF APPEAL, FIRST CIRCUIT  
STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

The contribution requirements of plan members and the court are established and may be amended by the state legislature. The legislature annually sets the required employer contribution rate equal to the actuarially required employer contribution as set forth in R.S. 11:102. Employees contribute 8.25 percent (LCRRF) and 7.5 percent (LASERS) of covered salaries. The court's contribution to LCRRF was 11.0 percent of annual covered payroll for the fiscal year ended June 30, 1997; 11.5 percent for the year ended June 30, 1996; and 10.25 percent for the year ended June 30, 1995. The contribution rate to LASERS was 12.4 percent of annual covered payroll for the fiscal year ended June 30, 1997; 12.0 percent for the year ended June 30, 1996; and 11.9 percent for the year ended June 30, 1995. The court's employer contribution is funded by the State of Louisiana through the annual appropriation to the court. The court's employer contributions to LCRRF for the years ended June 30, 1997, 1996, and 1995, were \$92,013, \$92,792, and \$75,985, respectively, and to LASERS for the years ended June 30, 1997, 1996, and 1995, were \$266,549, \$258,774, and \$239,842, respectively, equal to the required contributions for each year.

**3. POSTEMPLOYMENT HEALTH CARE  
AND LIFE INSURANCE BENEFITS**

The court provides certain continuing health care and life insurance benefits for its retired employees. Substantially all of the court's employees become eligible for these benefits if they reach normal retirement age while working for the court. These benefits for retirees and similar benefits for active employees are provided through insurance companies whose monthly premiums are paid jointly by the employee and the court. The court recognizes the cost of providing these benefits (court's portion of the premiums) as an expenditure when paid during the year. The court's costs of providing retiree health care and life insurance benefits are recognized as expenditures when the monthly premiums are paid. For the year ended June 30, 1997, the cost of retiree benefits totaled \$711.

**4. JUDGMENTS, CLAIMS, AND  
SIMILAR CONTINGENCIES**

Obligations and losses arising from judgments, claims, and similar contingencies are paid through the state's self-insurance fund or by General Fund appropriation and are not reflected in the accompanying special purpose financial statements. The self-insurance fund is operated by the Office of Risk Management, the state agency responsible for the state's self-insurance program.

**5. LEASE AND RENTAL COMMITMENTS**

For the fiscal year ending June 30, 1997, the court's rental expenditures amounted to \$73,194 for judicial office space and \$15,309 for equipment. The annual rental payments for cancelable operating leases for the next five fiscal years are as follows:

**COURT OF APPEAL, FIRST CIRCUIT  
STATE OF LOUISIANA  
Notes to the Financial Statements (Concluded)**

Fiscal year:	
1997-98	\$69,986
1998-99	66,986
1999-2000	54,173
2000-2001	47,360
2001-2002	40,330
Thereafter	<u>47,850</u>
Total	<u>\$326,685</u>

All lease agreements have non-appropriation exculpatory clauses that allow for lease cancellation if the Louisiana Legislature does not make an appropriation for their continuation during any future fiscal period.

**6. FUND BALANCE RESERVES**

As shown on Statement A, the Appropriated Fund - General Appropriation Fund and the Non-Appropriated Fund - Fee Account have reserves for continuing operations of \$46,924 and \$424,167, respectively. These funds may be retained and used to defray the expenditures of the court as prescribed by Act 1065 of the 1997 Regular Session of the Louisiana Legislature and R.S. 13:352, respectively.

**7. DEFERRED COMPENSATION PLAN**

Certain employees of the court participate in the Louisiana Deferred Compensation Plan adopted under the provisions of Internal Revenue Code Section 457. Complete disclosures relating to this statewide plan are available in the financial statements of the State of Louisiana.

**OTHER REPORT REQUIRED BY  
GOVERNMENT AUDITING STANDARDS**

The following pages contain a report on compliance with laws and regulations and on internal controls required by *Government Auditing Standards*, issued by the Comptroller General of the United States. The report is based solely on the audit of the financial statements and includes, where appropriate, any reportable conditions and/or material weaknesses in internal control or compliance matters that would be material to the presented financial statements.



OFFICE OF  
**LEGISLATIVE AUDITOR**  
STATE OF LOUISIANA  
BATON ROUGE, LOUISIANA 70804-9397

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LEGISLATIVE AUDITOR

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December 10, 1997

Report on Compliance and on Internal Control Over Financial  
Reporting Based on an Audit of the Financial Statements Performed  
in Accordance With Government Auditing Standards

**COURT OF APPEAL, FIRST CIRCUIT**  
**STATE OF LOUISIANA**  
Baton Rouge, Louisiana

We have audited the special purpose financial statements of the Court of Appeal, First Circuit, a court within Louisiana state government, as of and for the year ended June 30, 1997, and have issued our report thereon dated December 10, 1997. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Court of Appeal, First Circuit's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Court of Appeal, First Circuit's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters

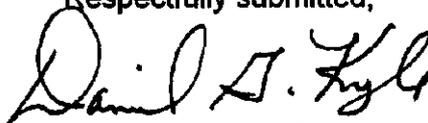
LEGISLATIVE AUDITOR

COURT OF APPEAL, FIRST CIRCUIT  
STATE OF LOUISIANA  
Compliance and Internal Control Report  
December 10, 1997  
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involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the court and its management. By provisions of state law, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Daniel G. Kyle". The signature is written in a cursive style with a large initial "D".

Daniel G. Kyle, CPA, CFE  
Legislative Auditor

SRT:MWB:sds

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